

How "Business Friendly" is Wisconsin?

So how "Business Friendly" has Wisconsin gotten over the last 15 months? To answer that, we need to look no further than at the Wisconsin Manufacturing and Agricultural Tax Credit.

The credit was enacted into law last year, as part of Gov. Walker's budget. It's being phased in over the next 4 years. Once fully phased in, beginning January 2016, individuals, corporations, and LLCs with agricultural or manufacturing income will be able to claim a 7.5% tax credit on that income against their state income taxes.

To see what that means, pull out your state tax forms. Now suppose you and your spouse earned a total of \$50,000 last year, recorded on line 13 of the tax form. You get a \$10,767 standard deduction (line 15), and a \$1400 exemption (line 17) for the two of you. When you look up your taxes on the remaining \$37,833, the tax table says you owe \$2155, before credits. Your property tax credit (line 22) knocks off maybe \$250, and the married couple credit (line 30) another \$480, so you end up paying the state \$1425 in income taxes. And for each extra \$200 you earn, you'll pay an additional \$13 in taxes.

Now suppose it's 2016, and I and my wife earn \$500,000 running a farm or factory. We also get a \$1400 exemption; from the tax tables we owe \$35,789 before credits. The itemized deduction credit and property tax credits knock off about \$800, and the married couple credit another \$480, so our tax bill is down to \$34,509.

Now if we made our half million selling shoes or giving piano lessons, we'd have to pay the \$34,509. But we ran a farm or factory, which gives us a tax credit of 7.5% times \$500,000. So we can subtract \$37,500 from our tax bill, leaving us paying to the state – absolutely nothing.

Actually, it's slightly more complicated. If we got that \$37,500 credit last year, that counts as income this year. So before credits, our tax liability would be \$38,695; after the \$800, \$480, and \$37,500 credits, we're down to zero again.

In fact, under Walker's tax credit, a farm or factory owning couple could earn up to about \$510,000 a year before owing a single dime in state taxes. And they could earn about \$682,000 before they owe that same \$1425 that you have to pay on your measly \$50,000 – because with the tax credit, they'll owe only an additional \$1,66 on each extra \$200 in agricultural or manufacturing income they earn.

So how "Business Friendly" is Walker's Wisconsin? Very, very friendly, if your business is a farm or factory. Which may explain why the Wisconsin Manufacturers and Commerce lobbyists so strongly support Walker and his fellow Republicans. After all, if you were them, wouldn't you consider your political donations as money well spent?

One more thing. The tax credit doesn't start until next year, at only a 1.375% rate. The year after that, it'll be at 3.75%, and so on. So next year, when a whole lot of people have their tax bills cut a bunch, and the year after that cut even more, don't be surprised if the state has a whole series of new budget crises to solve.

But that won't be a problem. Because we'll know who to blame. It'll be those greedy teachers, firefighters, prison guards, social workers, and other public employees. As usual.